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focus on...

October 2013

Welcome to Focus On… our special quarterly bulletin looking at issues relevant to particular sectors and topics of interest.

In October's Focus On… Rural, we look at how the Single Farm Payment (SFP) to British farmers will remain roughly the same as last year – although major reforms to Common Agricultural Policy (CAP) payments are in the pipeline. Meanwhile, The Government has axed the Seasonal Agricultural Workers Scheme (SAWS), which ensured an adequate supply of Romanian and Bulgarian seasonal workers for the UK horticulture industry. There's good news for UK beef and lamb producers after UK Environment Secretary Owen Paterson signed an export deal with Russia worth up to £100 million over three years. Finally, there are calls for the Government to increase budgets to protect high value farming land from flooding.

If you would like to discuss any aspect of our specialist accountancy and business advisory services for farmers and rural businesses, please contact Richard Grayson, Managing Partner at Nicholsons, at **richard.grayson@nicholsonsca.co.uk** or phone **0845 27 66 555**.

Farming groups urge budget increase to protect against flooding

Farming groups have called for the Government to increase budgets in order to protect high value land from flooding.

The NFU and the Chartered Institute of Water and Environmental Management (CIWEM) have backed calls for more investment after it was revealed that one in every five days saw flooding in 2012.

Statistics revealed by the Environment Agency also showed that one in every four days were in drought.

Despite an additional £120 million being announced for flood defences last autumn, many groups say that current budgets for maintenance are at an all time low.

Nick Reeves, CIWEM executive director, said: "While belt tightening is part and parcel of life at present, there are some areas that must be protected – investment in sustainable flood infrastructure is one such area.

"Failure to invest in infrastructure and manage the risks of flooding in a sustainable, realistic way will lead to continued loss of life and property, extensive damage to the UK economy and ongoing misery for millions of people."

Ivor Beech, NFU county chairman, said that Defra and the Environment Agency should increase funding for maintenance budgets, while the Government should re-balance budgets to put more weight on protecting high value farming land.

"We need a re-balancing in the capital and revenue flood defence spend – so that any increase in budget for capital spend is matched by an increase in revenue to contribute to maintenance budgets.

"We continually hear how farmers are still battling the impacts of wet land, whether that's not being able to harvest crops or vegetables or autumn plantings being drowned, there are huge concerns out there."

Single farm payment rates confirmed

The Single Farm Payment (SFP) to British farmers will remain roughly the same as last year, it has been confirmed.

Many farmers had expected a drop of around five per cent after the Common Agricultural Policy (CAP) budget was cut by nine per cent when EU leaders agreed a smaller budget back in February.

However, it has now been confirmed that the exchange rate for converting SFP from euros will be 4.8 per cent higher than last year. The official Central European Central Bank rate for converting the 2013 SFP payment from euros to sterling is set at one euro to £0.83605, compared to £0.79805 last year.

While the conversion rate is not as good as some might have expected, it will nevertheless come as good news for farmers who had budgeted for a fall.

Meanwhile, planned reforms to CAP are being opposed by the National Farmers' Union (NFU). The reforms are designed to reduce spending on payments to farmers across Europe but British farmers already receive lower levels of payments than some of their European competitors.

The CAP consists of two pillars, pillar one for direct subsidies via the Single Farm Payment and pillar two, covering funding for rural development programmes.

The reforms allow individual countries to transfer up to 15 per cent of direct payments from pillar one to rural development programmes in pillar two. In Britain, Defra is intending to transfer the full 15 per cent from the pillar one fund to the pillar two fund but such a move is opposed by the NFU.

Clearly, this will have an impact on farmers in Britain, who will see their SFPs reduced in order to fund other programmes which may not directly benefit them.

Transitional rules will apply to the CAP reform from 1 January 2014 with full implementation due in 2015.

At Nicholsons, our specialist agricultural team can help you with issues such as budgeting and cost reduction, helping to ensure you are as prepared as possible for the unexpected. To find out how we can help, please contact us.

Government signs multi-million pound Russian beef and lamb trade deal

UK Environment Secretary Owen Paterson has travelled to Russia to sign a beef and lamb trade deal expected to be worth up to £100 million over three years.

The trade deal marks a turning point in British meat exports to Russia, which had banned British beef and lamb following the BSE crisis in the 1990s. The contract includes an initial £7 million for lamb meat, and a potential £2 million contract for beef offal.

Mr Paterson hailed the treaty, saying he was "thrilled that our negotiations with Russia have proved successful".

He added: "This is a credit to our vets and producers who have all worked amazingly hard to meet the required export standards. With the inclusion of offal as part of the deal, the gates of opportunity are now well and truly open for our meat industry.

"The progress we have made is testament to the high standards of production and traceability for which British products are famous. This deal is great news for farmers, exporters and the UK economy as a whole."

Since 2000, food and drink exports to Russia have increased by more than 220 per cent, now worth more than £121 million.

Russian importers are keen to diversify their supply of prime lamb and quality grass-fed British beef as demand for western food and drink increases.

SAWS migrant worker scheme axed

The Government has axed the Seasonal Agricultural Workers Scheme (SAWS), which ensured an adequate supply of Romanian and Bulgarian seasonal workers for the UK horticulture industry.

Under SAWS, UK fresh produce suppliers could employ 21,250 migrant workers from the two countries for up to six months at a time. SAWS specified that workers must be provided with accommodation and paid the agricultural minimum wage.

However, the Government has now abandoned the scheme, saying that in a time of unemployment, there should be sufficient workers from within the UK and the EU to meet labour demands.

In a written statement, Mark Harper, minister of state for immigration, said: "We do not think the characteristics of the horticulture sector, such as seasonality and dependence on readily available workers to be deployed at a short notice, are as different from those in other employment sectors as to merit special treatment from a migration policy perspective."

The British Growers Association (BGA) says it is seeking an urgent meeting with ministers, particularly as the £3.7 billion fresh produce sector employs around a third of its seasonal workers from Bulgaria and Romania.

BGA chief executive James Hallet said: "The decision not to establish a replacement scheme was at odds with the advice of the Government's own independent Migration Advisory Committee, which warned earlier this year that without SAWS, the UK horticulture sector could face contraction, increased imports and 10 to 15 per cent higher fresh produce prices."

In response Mr Harper says that from January 2014 growers would have unrestricted access to Bulgarian and Romanian nationals after transitional labour market controls were lifted.

However, Mr Hallet says that growers could lose out to other UK sectors, such as hospitality and construction. "Workers view other industries as perhaps a little easier, much of our work is outside," he said.

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